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API

1983

# Survey on Oil & Gas Expenditures

**For Exploration,
Development and Production**

American
Petroleum
Institute

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# Preface

The American Petroleum Institute's Survey on Oil & Gas Expenditures presents estimates for exploration, development, and production expenditures for the oil and gas industry. The API has undertaken the survey due to the termination of a similar survey published by the Bureau of the Census: the *Annual Survey of Oil and Gas.*

Since 1973 the Bureau of the Census has conducted an annual survey on expenditures for oil and gas exploration, development, and production. These surveys contained detailed information on these expenditures including data by company size. In January 1984, the API was advised that, for budgetary reasons, the Census Bureau would discontinue publication of the survey, upon completion of the 1982 report.

Prior to these Census surveys, the API conducted similar, but less detailed, surveys as a part of the *Joint Association Survey* for the years 1959 through 1975. After a three-year parallel test period with the Census survey, to ensure comparability and, in compliance with API policy not to publish duplicative surveys, the API discontinued publication of Section II of the *JAS*.

The API has made every effort to maintain continued continuity between the API *Oil and Gas Expenditure Survey* (*OGES*) and the *Annual Survey of Oil and Gas*. The definitions and instructions for the API Survey are almost identical to that used by the Census Bureau. The exception to this is that certain detailed information was not requested for the API Survey; but all major expenditure categories and their components have been included.

The purpose of the API Survey is to provide data on all expenditures committed to the search for, and the production of, oil and gas in the United States. Therefore, data on total fixed assets and other capital related accounts are not a part of this survey. Similarly, expenditures for lease and land acquisitions of producing acreage also have not been included.

The survey report, which follows, and the appendix should be studied to determine the scope, content, and comparability of this survey with prior surveys.

Washington, D.C.
March, 1986

# OIL AND GAS INDUSTRY EXPENDITURES FOR Exploration, Development, and Production

**Introduction.** The American Petroleum Institute (API) has resumed the estimation of expenditures for exploration, development, and production for the oil and gas extractive industry. As stated in the Preface, the API ceased the publication of estimated upstream expenditures in 1975, after a three-year concurrent test period with the Bureau of the Census' *Annual Survey of Oil and Gas*. The Census Bureau discontinued the publication of its survey with the publication of the 1982 report.

In response to the continued need for this information by both industry and non-industry analysts, the API will publish annual estimates beginning with the 1983 *Survey of Oil and Gas Expenditures*. Every effort has been made to provide continuity between the *Oil & Gas Expenditure Survey* (*OGES*) and the prior API survey, both in scope and content. However, the data-user is cautioned to review the text of this report prior to attempting year-to-year comparisons with previous year estimates.

**1983 Estimated Expenditures.** It is estimated that nearly $85 billion was spent in the search for and the production of oil and gas in the United States in 1983. These expenditures include state and federal oil and gas taxes, but exclude income taxes. The table below shows these expenditures by major categories. Table I, on page 2 provides further details by expenditure components within each of the major expenditure groups.

**Summary of 1983 Expenditures by Major Categories (MM$s)**

| | |
|---|---|
| Exploration | $21,737 |
| Development | 26,500 |
| Production | 36,675 |
| Total Expenditures | $84,912 |

The 1983 expenditure estimates are not exactly comparable with earlier Census estimates. The primary difference between the Census and the API estimates is that the latter are based on the *Joint Association Survey* (*JAS*) results since the *JAS* provides a more complete estimate of drilling expenditures. Some drilling expenditures, primarily

**DRILLING & EQUIPPING EXPENDITURES**
**1983 OGES vs. 1982 CENSUS**
**And 1982 Adjusted (JAS Basis)**
**(MM$s)**

| | | *1982* | |
|---|---|---|---|
| *Expenditures* | *1983* | *API Estimate* | *Census* |
| Exploration: | $21,737 | $ 27,302 | $27,858 |
| Drilling & Equipping | 7,017 | 12,380 | 12,936 |
| All Other | 14,720 | 14,922 | 14,922 |
| Development: | $26,500 | $ 35,770 | $25,859 |
| Drilling & Equipping | 18,396 | 27,001 | 15,578 |
| All Other | 8,104 | 8,769* | 10,281 |
| Production: | $36,675 | $ 38,067 | $38,067 |
| Direct Expenditures | 14,707 | 14,405 | 14,405 |
| Indirect Expenditures | 21,968 | 23,662 | 23,662 |
| Total Expenditures | $84,912 | $101,139 | $91,784 |

*Less $1,512—acquis. of prod. acreage.

*TABLE I*
**ESTIMATED EXPENDITURES FOR**
**Exploration, Development, and Production**
**By GEOGRAPHIC AREA**

| | *Total U. S.* | *Lower 48* | | *Total Alaska* |
|---|---|---|---|---|
| | | *Onshore* | *Offshore* | |
| | | *(Millions of Dollars)* | | |
| EXPLORATION EXPENDITURES: | | | | |
| Total Drilling & Equipping Expenditures | $ 7,017 | $ 3,498 | $3,165 | $ 354 |
| Total Completed Well Costs | 7,109 | 3,934 | 2,888 | 287 |
| Oil Wells | 912 | 511 | (D) | (D) |
| Gas Wells | 1,826 | 1,070 | (D) | (D) |
| Dry Holes | 4,371 | 2,353 | (D) | (D) |
| Work-in-Progress | −92 | −436 | +277 | +67 |
| Acquiring Undeveloped Acreage | 8,068 | 2,955 | 4,659 | 454 |
| Land Dept., Leasing & Scouting | 462 | 414 | 40 | 8 |
| Geological & Geophysical | 2,654 | 1,848 | 497 | 309 |
| Lease Rents | 616 | 558 | 45 | 13 |
| Test Hole Contributions | 62 | 22 | 19 | 21 |
| Other, incl. Direct Overhead | 1,361 | NA | NA | NA |
| G & A Overhead | 1,497 | NA | NA | NA |
| Total Exploration Expenditures | $21,737 | NA | NA | NA |
| DEVELOPMENT EXPENDITURES: | | | | |
| Total Drilling & Equipping Expenditures | $18,396 | $15,809 | $2,134 | $ 453 |
| Total Completed Well Costs | 17,934 | 15,644 | 1,847 | 443 |
| Oil Wells | 8,592 | 7,220 | (D) | (D) |
| Gas Wells | 6,030 | 5,322 | (D) | (D) |
| Dry Holes | 3,312 | 3,102 | (D) | (D) |
| Work-in-Progress | +462 | +165 | +287 | +10 |
| Lease Equipment | 4,371 | 2,453 | 676 | 1,242 |
| Fluid Injection & Impr. Recov. Programs | 1,431 | 1,273 | 69 | 89 |
| Other, incl. Direct Overhead | 1,317 | NA | NA | NA |
| G & A Overhead | 985 | NA | NA | NA |
| Total Development Expenditures | $26,500 | NA | NA | NA |
| PRODUCTION EXPENDITURES: | | | | |
| Direct Operating Expenditures | | | | |
| Operating & Maintenance | $11,714 | $ 9,393 | $1,921 | $ 400 |
| Well Workovers | 1,565 | 1,158 | 373 | 34 |
| Other Direct Expenses | 1,428 | 1,169 | 178 | 81 |
| Total Direct Expenditures | $14,707 | $11,720 | $2,472 | $ 515 |
| Indirect Operating Expenditures | | | | |
| Windfall Profits Tax | $10,215 | $ 7,595 | $2,245 | $ 375 |
| Other Taxes (excl. income taxes) | 6,740 | 5,023 | 213 | 1,504 |
| G & A Overhead | 3,262 | NA | NA | NA |
| Other Indirect Expenses | 1,751 | 1,240 | 356 | 155 |
| Total Indirect Expenditures | $21,968 | NA | NA | NA |
| Total Production Expenditures | $36,675 | NA | NA | NA |
| TOTAL EXPENDITURES | $84,912 | NA | NA | NA |

(D) Withheld to avoid disclosure. NA Not applicable.

## *TABLE II*
## ESTIMATED U.S. OIL & GAS INDUSTRY EXPENDITURES
### By Company Size (24 Largest Companies[1])

| | *U. S. Total* | *24 Largest Companies* | *All Other Companies* |
|---|---|---|---|
| | *(Millions of Dollars)* | | |
| EXPLORATION EXPENDITURES: | | | |
| Total Drilling & Equipping Expenditures | $ 7,017 | $ 4,419 | $ 2,598 |
| Total Completed Well Costs | 7,109 | 4,486 | 2,623 |
| Oil Wells | 912 | 586 | 326 |
| Gas Wells | 1,826 | 1,033 | 793 |
| Dry Holes | 4,371 | 2,867 | 1,504 |
| Work-in-Progress | −92 | −67 | −25 |
| Acquiring Undeveloped Acreage | 8,068 | 5,828 | 2,240 |
| Land Dept., Leasing & Scouting | 462 | 184 | 278 |
| Geological & Geophysical | 2,654 | 2,049 | 605 |
| Lease Rents | 616 | 328 | 288 |
| Test Hole Contributions | 62 | 46 | 16 |
| Other, incl. Direct Overhead | 1,361 | 837 | 524 |
| G & A Overhead | 1,497 | 715 | 782 |
| Total Exploration Expenditures | $21,737 | $14,406 | $ 7,331 |
| DEVELOPMENT EXPENDITURES: | | | |
| Total Drilling & Equipping Expenditures | $18,396 | $ 5,085 | $13,311 |
| Total Completed Well Costs | 17,934 | 4,633 | 13,301 |
| Oil Wells | 8,592 | 2,725 | 5,867 |
| Gas Wells | 6,030 | 1,536 | 4,494 |
| Dry Holes | 3,312 | 372 | 2,940 |
| Work-in-Progress | +462 | +452 | +10 |
| Lease Equipment | 4,371 | 3,019 | 1,352 |
| Fluid Injection & Impr. Recov. Programs | 1,431 | 990 | 441 |
| Other, incl. Direct Overhead | 1,317 | 912 | 405 |
| G & A Overhead | 985 | 446 | 539 |
| Total Development Expenditures | $26,500 | $10,452 | $16,048 |
| PRODUCTION EXPENDITURES: | | | |
| Direct Operating Expenditures | | | |
| Operating & Maintenance | $11,714 | $ 6,709 | $ 5,005 |
| Well Workovers | 1,565 | 944 | 621 |
| Other Direct Expenses | 1,428 | 971 | 457 |
| Total Direct Expenditures | $14,707 | $ 8,624 | $ 6,083 |
| Indirect Operating Expenditures | | | |
| Windfall Profits Tax | $10,215 | $ 7,148 | $ 3,067 |
| Other Taxes (excl. income taxes) | 6,740 | 4,683 | 2,057 |
| G & A Overhead | 3,262 | 1,832 | 1,430 |
| Other Indirect Expenses | 1,751 | 1,240 | 511 |
| Total Indirect Expenditures | $21,968 | $14,903 | $ 7,065 |
| Total Production Expenditures | $36,675 | $23,527 | $13,148 |
| TOTAL EXPENDITURES | $84,912 | $48,385 | $36,527 |

[1]The 24 largest companies, based on net oil and gas lease revenues.

by small companies and/or non-operating companies, were not included in the Census data.

The table on page 1 presents the 1983 estimates for each of the major expenditure groups, subdividing the drilling and equipping expenditures from the other components. For comparison purposes, the 1983 estimates are shown as well as the 1982 Census estimates, and the Census estimates adjusted to compare with the 1983 *OGES* estimates (*JAS* Basis).

On an over-all basis in 1982, the total exploratory drilling expenditures were almost identical—the *Joint Association Survey* (*JAS*) estimates were about four percent under those of the Census. However, for development drilling expenditures, the Census estimates were a little over 40 percent less than those for the *JAS*.

In comparing the 1983 *OGES* estimates with the 1982 Census estimates, the data user should be aware that total development expenditures as published by the Census includes one expenditure item not requested by the *OGES*. "Lease and Land Acquisitions of Producing Acreage" is not included in the 1983 survey. The major reason for excluding these transactions was that they are considered irrelevant to the purposes of this survey—to provide annual expenditure estimates for finding, developing, and producing oil and gas in the United States.

**Survey Methodology.** The purpose of the API *Oil & Gas Expenditure Survey* (*OGES*) is to provide annual information on expenditure outlays incident to finding, developing, and producing oil and gas in the United States. These estimates are derived from a sampling of companies, which responded to a questionnaire requesting detailed information by expenditure category and by geographic location.

Estimated expenditures are derived from these responses by regressing the relationships between oil and gas revenues and the expenditures within each category. Average expenditures are extrapolated to a total U.S. estimate, based on the number of non-reporting companies.

The following sections of this report further describe the universe, sample, and methodology used to prepare the *OGES* estimates.

**Scope of Survey.** As stated, the purpose of the *Oil and Gas Expenditure Survey* is to estimate the total costs incurred in the search for and the production of oil and gas in the United States. This includes outlays by operating and non-operating companies as well.

In this case, non-operating companies are those companies, which would not have been included in the 1982 Census of Mineral Industries as being engaged in oil and gas field operations. These companies include those whose primary line of business is other than oil and gas extraction, but which do invest in oil and gas operations for their own account. Others engage in joint ventures with operating companies where their investment covers their share of the cost of exploration, developing, and production, and they receive their share of the net revenues. Thus, if non-operating ventures are not included in the total universe, the procedure to gross up reported expenditures to the total universe, on the basis of reported net revenue, would exclude their share of expenditures.

**The Sample.** The 1983 sample constitutes those companies which replied to a questionnaire which was mailed to oil and gas operators throughout the United States. The mailing list used was that which was developed for the *Joint Association Survey*. The questionnaire and the instructions for the *OGES* are shown in the Appendix.

The 1983 estimated expenditures in the United States were derived from the data reported by 300 companies. The net revenues from oil and gas production reported by these companies accounted for 55.6 percent of the total estimated net revenues. The table below presents the total estimated net revenues and the sample representation by geographic regions for 1983:

| | *Total U. S.* | *Lower 48* | | *Total Alaska* |
|---|---|---|---|---|
| | | *Onshore* | *Offshore* | |
| | *(Millions of Dollars)* | | | |
| Net Revenue from Oil & Gas Production | $107,663 | $76,891 | $20,955 | $9,817 |
| Net Oil & Gas Revenues Reported | 59,863 | 36,573 | 13,529 | 9,761 |
| Percent Reported | 55.6 | 47.6 | 64.6 | 99.4 |

**Expenditure Estimation Methodology.** The procedures used for estimating total industry expenditures are predicated on the theory that compa-

nies with the same revenue size have similar size expenditures. The universe number of companies and their revenues were distributed into thirteen size classes. The respondent companies and their revenues were similarly distributed based on their total lease revenues. The number of non-reporting companies was derived by subtracting the number of sample companies and their respective revenues from the total number of companies and the revenues in each class interval.

Regression equations, based on the correlation between revenues and the various expenditure items, were developed from the reported data for each class of expenditure. This analysis thus provided the average unreported expenditure for each class interval for each expenditure category. The number of non-reporting companies were applied to these average estimates to calculate the total unreported spending. The unreported totals were added to the sample to arrive at the total expenditures.

A technical report will be prepared, which will provide further information on the *OGES* methodology. Upon its completion, a notice of availability will be sent to all *OGES* subscribers.

**Estimated Revenues.** Expenditures for non-reporting companies were based on the relationship between revenues and expenditures of reporting companies. In order to develop this relationship, the API contracted with the Bureau of the Census for a report on the company distribution of the Value of Shipments data, which were included in the 1982 Quinquennial Census. These data are on a grouped basis, and differ from that published by the Census, but which are still within the Census disclosure limits.

Parameters for the company size classes were developed, based on the extreme limits of the size of the smallest and largest companies, which were included in the 1982 Census. The companies included in the Census report were distributed into thirteen size class groupings along with the Value of Shipments attributable to these companies. The Value of Shipments percentage relationship of each size class to the total was then computed. Based on this distribution, the 1983 universe for gross revenues was developed.

The Energy Information Administration no longer publishes data on the value of production at the wellhead; therefore, these values were imputed from their published information on crude oil and lease condensate production and the average per barrel value of crude oil. The value of marketed natural gas production, published by the EIA, is the other component of gross revenue used for the *OGES*.

Since the expenditures reported to the *OGES* are on a net basis, it was necessary to reduce the gross revenue data to a net income basis. That is—the gross revenues for crude oil and natural gas production reduced by the amount of royalties paid by oil and gas operators. The assumption was made that royalty disbursements on average, account for approximately 15 percent of the gross revenues, although it is acknowledged that offshore royalty payments are higher. The following table summarizes the gross and net revenues estimated for 1983:

**Estimated Gross and Net Revenues From Crude Oil and Natural Gas Production**

| | *Gross* | *Net*[1] |
|---|---|---|
| | (*Millions of Dollars*) | |
| 1983: | | |
| Crude Oil[2] | $ 83,048 | $ 70,591 |
| Natural Gas[3] | 43,614 | 37,072 |
| Total | $126,662 | $107,663 |
| 1982: | | |
| Crude Oil[2] | $ 90,030 | $ 76,526 |
| Natural Gas[3] | 45,497 | 38,672 |
| Total | $135,527 | $115,198 |
| 1982 (CMI)[4]: | | |
| Crude Oil | $ 84,968 | $ 67,194 |
| Natural Gas | 48,173 | 32,442 |
| Total | $133,141 | $ 99,636 |

[1] Gross revenues for the OGES Survey less 15% royalty disbursements

[2] Imputed Value of Crude Oil Production from DOE data: 1983 Prod. = 3,170,999 (mbbls) × $26.19/bbl; 1982 Prod. = 3,156,715 (mbbls) × $28.52/bbl.

[3] Reported Value of Marketed Natural Gas Production.

[4] Bureau of the Census: 1982 Annual Survey of Oil and Gas.

The table also provides the estimated gross and net revenue for 1982 for comparison purposes, based on the estimating procedures used for 1983. Also shown are the 1982 Annual Oil and Gas Survey estimates.

Estimates for gross and net revenue data also were derived from published data available from the EIA for the various geographic areas shown in the survey. For the Offshore area, data published

by the Mineral Management Service was used to estimate royalty payments.

Crude oil and natural gas production revenues account for the major share of revenues available to the oil and gas producing industry. But, additional revenues also come from the royalty payments *received* by oil and gas operators and from other lease income incidental to oil and gas operations. Estimates for both royalty payments received and other lease income were developed from the sample data and extrapolated to a U.S. total. The following table shows the 1983 total net lease revenues by source of revenue:

| | *Total U.S.* | *Lower 48* | | *Total Alaska* |
|---|---|---|---|---|
| | | *Onshore* | *Offshore* | |
| | *(Millions of Dollars)* | | | |
| Estimated Net Revenues from Oil & Gas Production | $107,663 | $76,891 | $20,955 | $9,817 |
| Other Lease Revenues | 722 | 608 | 46 | 68 |
| Royalty Payments Received | 2,572 | 2,479 | 92 | 1 |
| Total Revenues | $110,957 | $79,978 | $21,093 | $9,886 |

## *APPENDIX :*

***Oil and Gas Expenditure Survey :***

**Questionnaire and Instructions**

# 1983 SURVEY ON OIL AND GAS EXPENDITURES

**RETURN TO:**

AMERICAN PETROLEUM INSTITUTE
STATISTICS DEPARTMENT—ATTN: SPS
1220 L STREET, N.W.
WASHINGTON, D.C. 20005

**DUE DATE: February 1, 1985**

## GENERAL INSTRUCTIONS:

This survey covers domestic oil and gas field activities within the United States and adjacent offshore areas. It includes expenditures incident to finding, developing, and producing oil and gas in the United States. The expenditures reported should be the net company working interest share of the total expenditures for both operated and nonoperated properties. Expenditures should be reported only by those directly engaged in drilling and producing operations. Do not report expenditures (or revenues) applicable to gas processing plants or gas systems.

The revenues reported in this survey are the receipts (after royalty payments, production payment disbursements, and net profits disbursements) of producers from their net company interest in oil and gas production recorded in the books of account in the calendar year. Also included are certain non-operating revenues from other sources such as royalty interests, net profit interest receipts, production payment receipts, etc., owned in productive properties. Excluded from the reported revenues are the receipts of royalty owners not directly engaged in drilling and production.

## REPORTING PROCEDURES:

This report should cover your company's operations on a calendar year basis for the survey year. Report your company's total net working interest expenditures as outlined in the "NOTES AND INSTRUCTIONS." (See separate booklet enclosed.)

Report only the expenditures recorded on the books of account (whether actually paid or accrued) in each category during the survey year. Report all such relevant expenditures, whether incurred for current expenses or on capital account. Include in overhead items only those resulting from cash expenditures during the year.

Exclude non-cash items such as depletion, depreciation, and amortization, etc., except that in General and Administratrive Overhead, lines **22**, **33**, and **42**, depreciation may be charged for office buildings (provided the total cash expenditure for such facilities are not reported elsewhere).

Geographic areas included in this survey are for Total Alaska, including State and Federal offshore waters (column d), and for the Lower 48 onshore (column e) and offshore (column f). Offshore is defined to include leases seaward from the coastline. In general, the term "coastline" is defined as the line of ordinary low water along that portion of the coast which is in direct contact with the open sea, and the line marking the seaward limit of inland waters.

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*Please Correct any Errors in Mailing Label*

**COMPANY CONTACT:**

Name: _____

Telephone: _____

Operator
Code No.: _____

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# 1983 SURVEY ON OIL AND GAS EXPENDITURES

OPERATOR CODE NO.: _____

| LINE NO. | ITEM (a) | Unit of measure (b) | NET COMPANY INTEREST BASIS | | | |
|---|---|---|---|---|---|---|
| | | | TOTAL UNITED STATES (c) | GEOGRAPHICAL AREA | | |
| | | | | TOTAL ALASKA (d) | LOWER 48 | |
| | | | | | ONSHORE (e) | OFFSHORE (f) |
| 1 | **I. SALES VOLUMES** A. Total crude petroleum and condensate | Thousand barrels | | | | |
| 2 | B. Natural gas | Million cubic feet | | | | |
| 3 | **II. TOTAL LEASE REVENUES** | Thousand dollars | | | | |
| 4 | A. Total crude petroleum and condensate | | | | | |
| 5 | B. Natural gas | | | | | |
| 6 | C. Income received from oil and gas royalties | | | | | |
| 7 | D. Other lease revenues from producing operations | | | | | |
| 8 | **III. TOTAL EXPENDITURES (CAPITALIZED AND EXPENSED)** | | | | | |
| 9 | A. Total exploration expenditures | | | | | |
| 10 | 1. Total drilling & equipping expenditures | | | | | |
| 11 | 2. Total completed well costs | | | | | |
| 12 | a. Dry holes | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| 13 | b. Oil wells | | | | |
| 14 | c. Gas wells | | | | |
| 15 | Work-in-progress adjustment | | | | |
| 16 | 3. Lease and land acquisitions of nonproducing acreage | | | | |
| 17 | 4. Land department, leasing, and scouting | | | | |
| 18 | 5. Geological and geophysical | | | | |
| 19 | 6. Lease rents | | | | |
| 20 | 7. Test hole contributions | | | | |
| 21 | 8. Other exploration expenditures, including direct overhead | | | | |
| 22 | 9. General and administrative overhead not reported elsewhere | | | | |
| 23 | B. Total development expenditures | | | | |
| 24 | 1. Total drilling & equipping expenditures | | | | |
| 25 | 2. Total completed well costs | | | | |
| 26 | a. Dry holes | | | | |
| 27 | b. Oil wells | | | | |
| 28 | c. Gas wells | | | | |
| 29 | Work-in-progress adjustment | | | | |
| 30 | 3. Lease equipment | | | | |
| 31 | 4. Fluid injection and improved recovery programs | | | | |
| 32 | 5. Other development expenditures, including direct overhead | | | | |
| 33 | 6. General and administrative overhead not reported elsewhere | | | | |

Thousand dollars

(Please complete Lines 34 through 45 on reverse side)

**CONFIDENTIAL**

# 1983 SURVEY ON OIL AND GAS EXPENDITURES

OPERATOR CODE NO.: _____

| LINE NO. | ITEM (a) | Unit of measure (b) | NET COMPANY INTEREST BASIS | | | |
|---|---|---|---|---|---|---|
| | | | TOTAL UNITED STATES (c) | GEOGRAPHICAL AREA | | |
| | | | | TOTAL ALASKA (d) | LOWER 48 | |
| | | | | | ONSHORE (e) | OFFSHORE (f) |
| 34 | C. Total production expenditures | Thousand dollars | | | | |
| 35 | 1. Total direct operating expenditures | | | | | |
| 36 | a. Operating and maintenance | | | | | |
| 37 | b. Well workovers | | | | | |
| 38 | c. Other direct expenses | | | | | |
| 39 | 2. Total indirect operating expenditures | | | | | |
| 40 | a. Windfall profit tax | | | | | |
| 41 | b. Other taxes (excl. income taxes) | | | | | |
| 42 | c. General & administrative overhead | | | | | |
| 43 | d. Other indirect expenses | | | | | |
| 44 | **IV. OTHER OPERATOR INFORMATION** A. No. producing oil wells | | | | | |
| 45 | B. No. producing gas wells | | | | | |

# API SURVEY ON OIL AND GAS EXPENDITURES

## NOTES AND INSTRUCTIONS

### I. SALES VOLUMES

**Line 1 — Total crude petroleum and condensate** — Report volumes in thousand barrels (42 U.S. gallons at 60 degrees Fahrenheit). Include hydrocarbons which liquify at atmospheric pressure and temperature and are separated at lease surface facilities. Exclude liquid products derived from natural gas liquid plants which should be included with natural gas volumes on line **2**. Report the net company interest sales from all leases in which all or part of the working interest is owned.

**Line 2 — Natural gas** — Report the volume of raw natural gas including plant condensate volumes but excluding residue gas used for lease operations such as recycling or lifting. The volumes reported should be adjusted to a pressure base of 14.73 pounds absolute at 60 degrees Fahrenheit.

### II. TOTAL LEASE REVENUES

**Line 3 — Total lease revenues** — Report the totals of lines **4**, **5**, **6**, and **7**.

**Line 4 — Crude petroleum and condensate** — Report values comparable to the related volumes reported in I, SALES VOLUMES. Do not include the value of liquid products derived from gas processed at natural gas plants which should be included in line **5**.

Report the revenues received from crude petroleum and lease condensate sales after royalty payments to others, production payment disbursements, and net profit disbursements. Do not deduct production or severance taxes since these should be reported as expenditures.

**Line 5 — Natural gas** — Report values comparable to the volumes reported on line **2**. Lease revenue should include the lease share of revenue derived from the sale of plant liquids and residue gas and revenues from sales of unprocessed gas.

Report the revenues received from natural gas after royalty payments to others, production payment disbursements, and net profit disbursements. Do not deduct production or severance taxes since these should be reported as expenditures.

**Line 6 — Income received from oil and gas royalties** — Report the net company interest in revenues from oil and gas royalties for the period. Includes revenues received from oil production payment interests, net profits interests, overriding royalties, etc. Do not include royalty revenue received where both a working and royalty interest exist on the same property. Such royalty interest will be reported on lines **4** and **5** as appropriate.

**Line 7 — Other lease revenue from producing operations** — Report the net company interest in the revenue received which is incidental to oil and gas operations, such as equipment rentals, receipts from services performed for others, sales of water, steam, $CO_2$, helium, etc. Do not include revenue attributable to operations of gas processing plants or gas systems, or receipts from sale of assets, producing properties, etc. Do not include revenue applicable to mined sulfur, oil shale, oil sands, uranium, or other mineral operations.

### III. TOTAL EXPENDITURES (CAPITALIZED AND EXPENSED)

**Line 8 — Total expenditures (Capitalized and expensed)** — Report on this line the totals of lines **9**, **23**, and **34**. In this section, the classification of exploratory and development well expenditures should be based on the AAPG well classification as follows:

Exploratory wells include new-field wildcats, new pool wildcats, deeper pool tests, shallower pool tests, and outposts (extensions).

Development wells are those wells drilled to produce oil or gas from pools discovered by previous drilling.

Wells completed successfully in both oil and gas reservoirs should be reported as oil wells (lines 13 or 27 as applicable). Classification of completed wells as between oil and gas should be based on the appropriate State regulatory requirements. Exclude non-cash items such as depletion, depreciation, and amortization, etc., except that on lines **22**, **33**, and **42** depreciation may be charged for office buildings, etc. where the total cash expenditure for such facilities are not reported elsewhere.

Exclude capitalized interest payments to detailed expenditures as applicable according to FASB standard **34**.

**Line 9 — Total exploration expenditures** — Report on this line the totals of line **10**, **16**, **17**, **18**, **19**, **20**, **21**, and **22**.

**Line 10 — Total drilling and equipping wells** — Report only the expenditures for drilling and equipping exploratory wells incurred during the year covered by this report. Include expenditures for **old wells drilled deeper and redrilled wells**, but exclude expenditures for stratigraphic and core test drilling which are to be reported on line **18**.

Note that while lines **12**, **13**, and **14** include prior year expenditures for wells completed during the year covered by this report, line **15** provides for an adjustment so that line **10** (the sum of lines **12**, **13**, **14**, and **15**) equals expenditures during the survey year only.

**Note:** For lines **12**, **13**, and **14** report the total cost of wells completed during the survey year. Include costs incurred during prior years.

**Line 11 — Total completed well costs** — Report on this line the totals of lines **12**, **13**, and **14**, the total cost of wells completed during the survey year, including costs incurred during prior years.

**Line 12 — Dry holes** — Report expenditures for casing, tubing, and wellhead fittings associated with exploratory dry wells; expenditures for roads, grading, etc.; expenditures for drilling platforms; and all other expenditures incident to exploratory dry wells. Reduce cost by the value of salvaged equipment capable of reuse.

Report the net company interest in all expenditures (reduced by the amount of outside cash contributions, such as bottom hole or dry hole money) for drilling exploratory dry holes.

**Lines 13 and 14 — Oil wells and Gas wells** — Report expenditures for casing, tubing, and wellhead fittings; expenditures for roads, grading, etc.; expenditures for drilling platforms; and all other expenditures incident to successful exploratory drilling. Exclude all expenditures for equipment beyond the Christmas tree and expenditures for all downhole pumping and artificial lift equipment which should be reported on line **30**.

Report the net company working interest in all expenditures (reduced by the amount of outside cash contributions, such as bottom hole money) for drilling successful exploratory wells.

**Line 13 — Oil wells** — Report the expenditures for exploratory wells completed for production where the result of the drilling was to find oil reserves.

**Line 14 — Gas wells** — Report the expenditures for exploratory wells completed for production where the result of the drilling was to find gas (other than casinghead gas) reserves.

**Line 15 — Work-in-progress adjustment** — Work-in-progress is defined as those drilling and equipping expenditures spent in prior years on current year completions minus the drilling and equipping expenditures in the current year on future year completions. The net amount (plus or minus) is the work-in-progress adjustment. Thus, if $10,000 were spent last year on a current year completion and $12,000 was spent this year on a well to be completed next year, the work-in-progress adjustment would be $2,000.

Report the net company interest in the amount of work-in-progress at the end of the survey year minus earlier years' drilling and equipping expenditures for wells completed during the year. If such prior year work-in-progress exceeds the current year work-in-progress, indicate a negative number by enclosing the figure in parentheses.

**Line 16 — Lease and land acquisition of non-producing acreage** — Report the net company interest in expenditures incurred during the report year for acquiring undeveloped acreage, including lease bonuses, advance initial rentals which, because of unusual circumstances, are actually in the nature of a bonus, and any other outlays necessary to acquire leases, mineral rights, and fee lands incident to oil and gas exploration. Exclude annual rentals and other lease carrying expenditures which should be reported on line **19**.

**Line 17 — Land department, leasing, and scouting** — Report the net company interest in all land department, scouting, and lease acquisition expenditures, except the actual outlays for purchase, land leasing, and rentals which should be reported on lines **16** and **19**.

**Line 18 — Geological and geophysical** — Report the net company interest in all expenditures for geological and geophysical exploration. Include expenditures for capital equipment identifiable with G & G and for core drilling (such as some types of slim hole stratigraphic tests) where the intention in advance of drilling is not to complete the well as a producing well, and/or when such tests are drilled in such a manner that productive completion is not possible.

**Line 19 — Lease rents** — Report the net company interest in expenditures made during the year for lease rentals and other expenditures for carrying leases, such as shut-in royalties and annual payments. Omit land department, leasing, and scouting expenditures, which should be reported on line **17**, and advance rentals which are actually in the nature of a bonus, which should be reported on line **16**.

**Line 20 — Test hole contributions** — Report the net company interest in all contributions made toward test wells, including dry hole money, bottom hole money, etc. Do not include the cost of acreage contributions.

**Line 21 — Other exploration expenditures, including direct overhead** — Report the net company interest in all expenditures not listed on lines **10** through **20** which relate directly to exploration for oil and gas, whether such expenditures are capitalized or expensed. Include expenditures for exploratory capital equipment constructed or purchased not included in lines **10** through **20**. Include direct overhead, especially district field exploration functions, e.g. district supervisory salaries; ad valorem taxes on non-producing leases; and taxes on buildings and equipment used for exploratory purposes.

Exclude exploration overhead costs which cannot be directly identified with exploratory activities undertaken during the period which should be reported on line **22**. Exclude all exploratory outlays not specifically devoted to oil and gas operations, such as for mined sulfur, oil shale, uranium, or other minerals.

**Line 22 — General and administrative overhead not reported elsewhere** — Report the net company interest in all general operating and administrative expenditures above the field level, which are applicable to exploration activities, excluding only those items which have been directly classified elsewhere. Include salaries, office expenditures, and research and development (R&D) expenditures.

If engaged in activities other than oil and gas, include under this heading only that portion of general and administrative expenditures applicable to oil and gas exploration. Do not include interest on investment or State and Federal income taxes.

General and administrative overhead reported in total should be distributed to exploration, development, and production on a basis of reasonable pro rata share or in accordance with your company's allocation practice.

**Line 23 — Total development expenditures** — Report on this line the totals on lines **24**, **30**, **31**, **32**, and **33**.

**Line 24 — Total drilling and equipping expenditures** — Report only the expenditures for drilling and equipping development wells incurred during the year covered by this report. Include expenditures for **old wells drilled deeper and redrilled wells,** but exclude expenditures for well workovers which are to be reported on line **37**. Also exclude expenditures for service wells which are to be reported lines **31** or **32**.

Note that while lines **26**, **27**, and **28** include prior year expenditures for wells completed during the year covered by this report, line **29** provides for an adjustment so that line **24** (the sum of lines **26**, **27**, **28**, and **29**) reflects expenditures during the survey year only.

**Note:** For lines **26**, **27**, and **28** report the total cost of wells completed during the survey year. Include costs incurred during prior years.

**Line 25 — Total completed well costs** — Report on this line the totals of lines **26**, **27**, and **28**, the total cost of wells completed during the survey year, including costs incurred during prior years.

**Line 26 — Dry holes** — Report expenditures for casing, tubing, and wellhead fittings associated with development dry holes; expenditures for roads, grading, etc.; expenditures for drilling platforms; and all other expenditures incident to development dry wells. Reduce cost by salvage value of equipment capable of reuse.

Report the net company interest in all expenditures for drilling development dry holes.

**Lines 27 and 28 — Oil wells and Gas wells** — Report expenditures for casing, tubing, and wellhead fittings associated with successful development wells; expenditures for roads, grading, etc.; expenditures for drilling platforms; and all other expenditures incident to successful development drilling. Exclude all expenditures for equipment beyond the Christmas tree and expenditures for all downhole pumping and artificial lift equipment, which should be reported on line **30**. Also exclude expenditures for drilling injection wells which should be reported on line **31**.

Report the net company interest in all expenditures for drilling successful development wells.

**Line 27 — Oil wells** — Report the expenditures attributed to wells completed for production of crude petroleum within proved areas of oil reservoirs to depths of stratigraphic horizons known to be productive.

**Line 28 — Gas wells** — Report the expenditures attributed to wells completed for production of natural gas (other than casinghead gas) within proved areas of gas reservoirs to depths of stratigraphic horizons known to be productive.

**Line 29 — Work-in-progress adjustment** — Work-in-progress is defined as those drilling and equipping expenditures spent in prior years on current year completions minus the drilling and

equipping expenditures in the current year for future year completions. The net amount (plus or minus) is the work-in-progress adjustment. Thus, if $10,000 were spent last year on a current year completion and $12,000 was spent this year on a well to be completed next year, the work-in-progress adjustment would be $2,000.

Report the net company interest in the amount of work-in-progress at the end of the survey year minus earlier years' drilling and equipping expenditures for wells completed during the year. If such prior year work-in-progress exceeds the current year work-in-progress, indicate a negative number by enclosing the figure in parentheses. Exclude injection wells in progress which are to be reported on line **31**.

**Line 30 — Lease equipment** — Report the net company interest in all lease equipment expenditures beyond the Christmas tree installation, including flow lines, flow tanks, field separators, heater-treaters, production platforms, and related facilities. Include expenditures for all normal pumping and other artificial lift equipment, including downhole installation required for primary production.

**Line 31 — Fluid injection and improved recovery programs** — Report the net company interest expenditures in fluid injection and improved recovery programs which include gas injection, water injection, steam injection, miscible phase, in situ combustion, etc., associated with oil and gas production. Report expenditures for procuring and installing all facilities and for drilling service wells, or converting existing wells to service wells, associated with such programs.

Include pumps, compressors, engines, tankage, gathering and injection lines, treating facilities, special downhole and surface equipment, etc. Service wells include wells used for gas injection, water injection, steam injection, air injection, and water supply for injection.

Do not include expenditures for observation wells, salt water disposal wells, water supply wells, or other wells required for primary production operations, which should be included in line **32** with other development expenditures.

**Line 32 — Other development expenditures, including direct overhead** — Report the net company interest in all expenditures not included in lines **24**, **30**, or **31** which relate directly to development operations for oil and gas, whether such expenditures are capitalized or expensed. Include expenditures for capital equipment constructed or purchased.

Include direct overhead, especially at district and field level, where such overhead can be identified with the development functions (e.g. district supervisory salaries and taxes on buildings and equipment used for development operations).

Exclude overhead costs which cannot be directly identified with development activities undertaken during the year. Exclude all development outlays not specifically devoted to oil and gas operations, such as for mined sulfur, oil shale, uranium, or other minerals.

**Line 33 — General and administrative overhead not reported elsewhere** — Report the net company interest in all general operating and administrative expenditures above the field level, which are applicable to development activities, excluding only those items which can be directly classified on line **32**. Include salaries, office expenditures and R&D expenditures. If engaged in activities other than oil and gas, include under this heading only that portion of general and administrative expenditures applicable to oil and gas development operations. Do not include interest on investment or State and Federal income taxes.

General and administrative overhead reported in total should be distributed to exploration, development, and production on a basis of reasonable pro rata share or in accordance with your company's allocation practice.

**Line 34 — Total production expenditures** — Report on this line the totals of lines **35** and **39**. Do not include expenditures applicable to gas processing plants or gas systems.

**Line 35 — Total direct operating expenditures** — Report on this line the totals on lines **36**, **37**, and **38**.

**Line 36 — Operating and maintenance** — Report the net company interest in normal daily operating expenses such as wages and transportation for field personnel directly associated with oil and gas production; materials and supplies consumed; and field office expenses as well as surface repair and maintenance on lease equipment. Also report all other operating and maintenance expenses except workover expense which is reported on line **37**.

**Line 37 — Well workovers** — Report the net company interest in all expenditures directly related to well workovers including expensed material, contract labor, etc.

**Line 38 — Other direct expenses** — Report the company net interest in all other direct production expenses not included on lines **36** and **37**.

**Line 39 — Total indirect operating expenses** — Report on this line the totals on lines **40**, **41**, **42**, and **43**.

**Line 40 — Windfall profit tax** — Report the Federal excise tax expenses attributable to the Crude Oil Windfall Profit Tax Act of 1980, including adjustments such as those resulting from the net income provision.

**Line 41 — Other taxes, excluding income taxes** — Report the net company interest in total payments for ad valorem, production, or severance taxes to State and local governments. Do not reduce the value of crude oil and natural gas produced at the wellhead by such amounts. Exclude ad valorem taxes on undeveloped properties and property taxes on buildings and equipment used for exploratory purposes, which should be included on line **21**; ad valorem taxes on office buildings or other facilities used for development purposes, which should be included on line **32**. Do not include State or Federal income taxes or Federal excise taxes.

**Line 42 — General and administrative overhead** — Report the net company interest in all general operating and administrative expenditures above the field level which are applicable to production activities, except those which are included in line **35**.

General and administrative overhead reported in total should be distributed to exploration, development, and production on a basis of reasonable pro rata share or in accordance with your company's allocation practice.

**Line 43 — Other indirect expenses** — Report the net company interest in all indirect expenses applicable to producing operations which are not included in lines **40**, **41**, and **42**. Do not include interest on investment or State and Federal income taxes. Exclude expenses not related to oil and gas operations, such as those related to oil shale, mined sulfur, etc.

## IV. OTHER OPERATOR INFORMATION

**Line 44 — Number of producing oil wells** — Report the number of producing oil wells in which your company has a net working interest. The number reported should be the sum of your fractional interest in the producing wells. Round the sum of the fractional interest for the number of wells to the nearest tenth of a well. Wells producing from both oil and gas reservoirs should be reported as producing oil wells.

**Line 45 — Number of producing gas wells** — Report the number of producing gas wells in which your company has a net working interest. The number reported should be the sum of your fractional interest in the producing wells. Round the sum of fractional interest for the number of wells to the nearest tenth. Producing gas wells are those wells in which one or more zones produce natural gas.